

Confirmation No. 06-SNR-00946

Resource Adequacy Capacity Product Confirmation Agreement

1. **Definition of the Transaction:** This Confirmation Agreement (Confirmation Agreement) confirms the transaction (Transaction) agreed to as of September 28, 2006, between Western Area Power Administration, Sierra Nevada Region (Western), and Coral Power, L.L.C. (Seller), in which the Seller agrees to sell to Western the resource-adequacy product (RA Capacity) described below under the terms and conditions set forth herein. All provisions of contained in or incorporated by reference in the WSPM Master Agreement (September 2006 version) between Western and Seller will govern this Confirmation Agreement except as modified herein. The definitions and provisions contained in the tariffs and/or protocols of the California Independent System Operator (CAISO) as amended from time to time (Tariff) shall apply to this Confirmation Agreement and are incorporated herein by reference.
2. **Seller:** Coral Power, L.L.C.
3. **Nature of the Confirmation Agreement:** Subject to the terms and conditions of this Confirmation Agreement, Seller agrees to sell to Western and Western agrees to purchase from Seller the Contract Quantity of RA Capacity as specified below.
4. **Definition of RA Capacity:** For purposes of this Transaction, RA Capacity means the qualified and deliverable capacity from the Specified Resource identified below and in the Contract Quantity specified in this Confirmation Agreement which can be counted toward meeting Western's resource-adequacy requirements (RAR) as established in the CAISO's Interim Reliability Requirements Program (IRRP) as those requirements may be amended from time to time; provided, however, Western and Seller hereby agree to the substitution rights for the Capacity from other qualified resources as described in Section 5 below. The purchase by Western of Capacity hereunder does not confer to Western any right to the Contract Quantity of Seller's Specified Resource other than the right to include such Contract Quantity for purposes of Western's RAR demonstrations (RAR Showings) as Capacity during the Delivery Period, and such purchase shall constitute a transfer of title to and a claim over such Contract Quantity of Capacity for purposes of Western's RAR demonstrations and entitle Western to all benefits relating to the Contract Quantity of Capacity. Specifically, unless otherwise agreed as between the Parties in writing, Western shall have no rights under this Confirmation Agreement to purchase energy and/or ancillary services from the Contract Quantity associated with the Specified Resource. Accordingly, Seller will be entitled to all compensation associated with the Specified Resource for energy and ancillary services committed to the CAISO from the Specified Resource and Western will not be required to compensate Seller or any other entity for any commitments to the CAISO for energy and ancillary services or, except in respect of Capacity as set forth in this Section 4, any other product or

services relating to or from the Specified Resource nor shall Western have any liability in respect thereto.

5. Specified Resource:

For all months below, Unit #2 at the La Rosita Power Generation Facility located near Calexico, CA is the Specified Resource; provided, however, that if capacity from such unit(s) will not be counted toward meeting resource adequacy requirements in a given month during the Delivery Period due to a scheduled outage as provided in the CAISO Tariff, Seller shall designate a substitute resource that is capable of providing such capacity no later than ten (10) Business Days before Western month-ahead showing for such month is due to the CAISO.

La Rosita Unit #2	Status	(MW) Net Qualifying Capacity
January 2007		
February 2007		
March 2007		
April 2007		322.0
May 2007		322.0
June 2007		322.0
July 2007		322.0
August 2007		322.0
September 2007		
October 2007		
November 2007		
December 2007		

Upon prior written notice to Western, Seller shall have the right to substitute Capacity from the foregoing Specified Resource with Capacity from other qualified resources owned or controlled by Seller so long as: (i) such substituted resource satisfies all requirements necessary to meet Western's RAR and all other terms and conditions relating to RA Capacity as set forth in this Confirmation Agreement, and (ii) any such substitution shall not result in any additional cost to Western but shall be the sole responsibility of Seller. If the foregoing conditions are satisfied, Seller acknowledges that all of Seller's obligations, representations, warranties and covenants hereunder shall also apply without modification in respect to any such substituted Capacity and such substituted resource shall be "Specified Resource" for all purposes under this Confirmation Agreement.

6. Delivery Period, Contract Price, and Contract Quantity:

Month	Contract Price \$/MW-Month	Contract Quantity (MW)
January 2007	N/A	16
February 2007	N/A	16
March 2007	N/A	16
April 2007	N/A	16
May 2007	\$2.40 kW-mo	16
June 2007	\$2.40 kW-mo	36
July 2007	\$2.40 kW-mo	36
August 2007	\$2.40 kW-mo	36
September 2007	\$2.40 kW-mo	36
October 2007	N/A	16
November 2007	N/A	16
December 2007	N/A	16

7. Delivery Location(s): SP15 Zone; provided, however, if the California Independent System Operator or its successor ("CAISO") implements trading hubs under a locational marginal pricing design during the Delivery Period, the Delivery Point shall be the Existing Zone Generation SP15 Trading Hub ("SP15 EZ Gen Hub"), as such trading hub is contemplated by the CAISO in its filing made to the FERC dated March 15, 2005 ("Comprehensive Design Proposal for Inter-Scheduling Coordinator Trades Under the California Independent System Operator Corporation's Market Redesign and Technology Upgrade, Docket No. ER02-1656-025"); provided further, if the SP15 EZ Gen Hub (under any name) is not established as part of a market redesign that is implemented during the Delivery Period, the parties agree to promptly work together in good faith to designate an alternate Delivery Point to reasonably approximate the characteristics of the SP15 Zone.

8. Additional Covenants and Warranties of the Seller: Seller makes the following additional covenants, warranties and representations.
- Seller is duly licensed and certificated by all applicable jurisdictional regulatory agencies and bodies, and as such holds all necessary authorizations, to participate in the CAISO markets.
 - Seller satisfies the credit requirements established by CAISO from time to time necessary to participate in the CAISO market.
 - The Contract Quantity is owned or controlled by Seller for each Specified Resource specified above, and the commitment of, and the availability from, each such Specified Resource of the Contract Quantity for the purposes set forth hereunder are within Seller's powers and have been duly authorized by all necessary action.
 - The Specified Resource has been registered with, and certified by, the CAISO as deliverable to the Delivery Location(s). Seller warrants that the RA Capacity purchased by Western meets all of the requirements specified by the CPUC and

the CAISO relating to the qualifying of the Capacity from the Specified Resource in an amount no less than the Contract Quantity for purposes of counting toward meeting Western's RAR.

- e. The Contract Quantity of the Capacity sold under this Confirmation Agreement is unencumbered by any other sale, assignment, or transfer of such Capacity, or any rights conferred in respect thereof to any party other than Western.
- f. For each Specified Resource, unless the Specified Resource is deemed by the CAISO to be unavailable as a result of a Forced Outage or is out for planned Maintenance Outage as approved by the CAISO or is affected by Force Majeure, Seller shall commit the Contract Quantity to the CAISO in compliance with established CAISO bidding and scheduling procedures, which may include one or more of the following:
 - i. Make the Contract Quantity available, to the extent required by the CAISO and/or CPUC, to the CAISO consistent with the terms of the CAISO tariff for every hour of the Delivery Period, by self-scheduling the Contract Quantity of the Specified Resource or by bidding the Contract Quantity of the Specified Resource into the CAISO's day-ahead energy and ancillary services markets for every hour of the Delivery Period; *provided*, that if the CAISO denies Seller's request for a waiver of any commitment of the unit for the next operating day, Seller shall commit the Specified Resource during the next operating day and self-schedule or submit bids in an amount no less than the Contract Quantity into the CAISO's markets as required by the CAISO during that next operating day; and,
 - ii. If the Specified Resource is designated as "short-start" units by either or both of the CPUC and/or the CAISO, the Contract Quantity shall be self-scheduled or offered into the CAISO's hour-ahead market and real-time market, even if it is not scheduled in the day-ahead market, unless otherwise released from this obligation by the CAISO; and,
 - iii. Dispatch the Specified Resource in an amount not less than the Contract Quantity in the CAISO's market for energy and ancillary services pursuant to any schedules and/or instructions of the CAISO issued in accordance with the terms of the CAISO tariff.
- g. Seller shall not commit any portion of the Contract Quantity, including but not limited to the sale or scheduling of firm energy, to any party outside the CAISO control area, until all obligations to Western and/or CAISO under this Confirmation Agreement and the CAISO tariffs have been fully satisfied or are extinguished.
- h. Seller will maintain, or cause to be maintained, the Specified Resource in accordance with "Good Utility Practice" as defined in the CAISO tariff.
- i. With respect of any portion of the Contract Quantity, Seller will comply with all Applicable Laws relating to Capacity resource performance obligations and penalties or otherwise. "Applicable Laws" shall mean any law, rule, regulation, order, decision, judgment, or other legal or regulatory determination by any

governmental authority having jurisdiction, which shall include without limitation, all FERC-approved CAISO tariff provisions.

9. Additional Covenants and Warranties of Western: Western makes the following additional covenants, warranties and representations.
1. Western holds the necessary authorizations to participate in the CAISO markets.
 2. Western satisfies the credit requirements necessary to participate in the CAISO markets.

10. Federal Contracting Provisions:

10.1 Covenant Against Contingent Fees: The Seller warrants that it has not employed or retained any person or selling agency to solicit or secure the Confirmation Agreement upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by their respective organizations for the purpose of securing business. For breach or violation of this warranty, Western shall have the right to annul or terminate the Confirmation Agreement without liability or in its discretion to deduct from the price or consideration the full amount of such commission, percentage, brokerage, or contingent fee.

10.2 Contingent upon Appropriations: Where activities provided for in this Confirmation Agreement extend beyond the current fiscal year, continued expenditures by the United States are contingent upon Congress making the necessary appropriations required for the continued performance of the United States obligations under the Confirmation Agreement. In case such appropriation is not made, the Seller hereby releases the United States from its obligations and from all liability due to the failure of Congress to make such appropriation.

10.3 Contract Project Work Hours and Safety Standards: The Confirmation Agreement, to the extent that it is of a character specified in Section 103 of the Contract Project Work Hours and Safety Standards Act, 40 U.S.C.A. § 329, is subject to the provisions of the Act, 40 U.S.C.A. §§ 327-333, and to regulations promulgated by the Secretary of Labor pursuant to the Act.

10.4 Equal Opportunity Employment Practices: Section 202 of Executive Order No. 11246, 30 Fed. Reg. 12319 (1965), as amended by E.O. No. 12086, 43 Fed. Reg. 46501 (1978), which provides, among other things, that the Seller will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin, is incorporated by reference in the Confirmation Agreement.

10.5 Use of Convict Labor: The Seller agrees not to employ any person undergoing sentence of imprisonment in performing this Confirmation Agreement except as provided by 18 U.S.C. 4082 (c) (2) and Executive Order 11755, December 29, 1973.

11. RAR Showings: Seller shall, no later than the relevant deadlines for the applicable RAR Showings, identify to Western the Contract Quantity and Delivery Location of the Capacity sold to Western, which shall constitute delivery by Seller of the Capacity for purposes of this Transaction. Western shall make all applicable filings as required by the CAISO no later than the relevant deadlines as established by the CAISO for the applicable RAR Showings to identify or confirm the Contract Quantity and Delivery Location of the Capacity purchased from Seller, which shall constitute receipt by Western of the Capacity for purposes of this Transaction.

12. Western's Damages Associated with Seller's Failure to Perform:

If Seller fails to provide substitute RA Capacity from other qualified resources Western may, but shall not be required to, replace any RA Capacity not provided by Seller. Western shall be considered to have purchased replacement capacity to the extent it enters into one or more arrangements to repurchase its obligation to sell and deliver the RA Capacity to another party. Western shall act in a commercially reasonable manner in purchasing any replacement capacity.

If Seller fails to provide Western with designated RA Capacity from the Unit(s) (including any replacement Units provided by Seller) in the full amount of the Contract Quantity, other than by reason of (a) Western's failure to perform its obligations under this Confirmation, then Seller shall pay to Western an amount equal to the product of (x) the portion of the Contract Quantity not delivered, and (y) the positive difference, if any, obtained from subtracting the Contract Price for the Monthly Delivery Period from the RA Capacity replacement cost.

13. Indemnity Against Penalties: Seller agrees to indemnify Western for any monetary penalties assessed by the CPUC and/or the CAISO against Western for Western's failure to meet the requirements of the CPUC and/or the CAISO related to the Western's obligation to submit an approved resource-adequacy demonstration to the extent any such penalties were the direct result of Seller not fulfilling any of its obligations under this Confirmation Agreement; *provided*, where Western is in breach of this Confirmation Agreement, Seller's obligations to perform under this Confirmation Agreement and/or to indemnify Western for any monetary penalties are waived. Seller shall have no obligation to Western under this Section 13 in respect of the portion of Contract Quantity for which Seller has paid a RA Capacity replacement cost.

14. No Intended Third Party Beneficiary: This Confirmation Agreement shall not impart any rights enforceable by any third party or create any interest, beneficial or otherwise, in any such third party (other than a permitted successor or assignee bound by this Confirmation Agreement).

IN WITNESS WHEREOF, the Parties have caused this Confirmation Agreement to be fully executed as of the date first written above.

By Seller:

By Western:

By: Edward E Brown
Name: Edward E Brown
Title: Vice President

By: [Signature]
Name: THOMAS R. Boyko
Title: POWER PURCHASING MANAGER